

## Message Text

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ACTION AF-06

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O 241400Z MAY 75

FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC IMMEDIATE 2659

C O N F I D E N T I A L KINSHASA 4302

E.O. 11652: GDS

TAGS: ECON EINV CG

SUBJ: GOZ MOVES TO CONTROL PHARMACEUTICAL SECTOR

REF: KINSHASA 4301

1. ECON COUNSELOR DISCUSSED GOZ MOVES REPORTED REFTEL WITH DR. CLOSE, WHO SAID HE AND MIN HEALTH NGWETI WOULD BE RESPONSIBLE FOR MAKING NEW SYSTEM WORK. IT WAS CLEAR FROM CONVERSATION THAT CLOSE AND NGWETI HAD BEEN SUPRISED BY CENTRAL BANK LETTER RESTRICTING IMPORT OF PHARMACEUTICAL TO FIVE FIRMS. CLOSE SAID HE AND NGWETI HAD BEEN "DOING STAFF WORK FOR MONTHS ON RATIONALIZATION OF PHARMACEUTICAL SECTOR" BUT HAD NOT BEEN CONSULTED BY GOVERNOR OF CENTRAL BANK BEFORE LATTER'S LETTER ISSUED. CLOSE IMPLIED THAT HE HAD GOTTON MOBUTU TO OVERRUL SAMBWA AND ISSUE SECOND DECREE RESTRICTING IMPORTS TO GOZ-OWNED DCMP, CONTROL OF ALL PHARMACIES AND EXTENDING EFFECTIVE DATE TO SEPT 1 IN LIEU OF IMMEDIATE EFFECT IN SAMBWA LETTER.

2. CLOSE WAS NOT OVERLY FORTHCOMING, BUT HE DID LEAVE IMPRESSION THAT HE AND NGWETI WERE AWARE OF DIFFICULTIES WHICH WOULD HAVE TO BE OVERCOME BEFORE NEW SYSTEM COULD BE PUT INTO EFFECT. ECON COUNSELOR ADDED THOUGHT THAT MANY OF CURRENT PHARMACEUTICAL FIRMS WERE IMPORTING ON INTER-COMPANY ACCOUNT AND THUS PROVIDING FINANCING NOT ELSEWHERE AVAILABLE. CLOSE SEIZED THE POINT AND ALLOWED AS HOW DCMP WOULD NEED HELP AND SOURCES FOR PHARMACEUTICALS  
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AND THAT DCMP MIGHT BE ABLE TO WORK WITH THE EXISTING COMPANIES

WHO WERE WILLING TO IMPORT AND SELL TO DCMP UNDER CERTAIN CONDITIONS. CLOSE FURTHER SAID THAT HE WOULD PROBABLY MEET WITH PHARMACEUTICAL FIRMS IN NEAR FUTURE TO EXPLAIN NEW SYSTEM AND ANSWER QUESTIONS. HE AGREED TO KEEP IN CLOSE TOUCH WITH EMBASSY.

3. ECON COUNSELOR TOOK OCCASION TO POINT OUT POSSIBLE IMPLICATIONS OF DECREE AS PUBLISHED, FOR EXAMPLE, IF STATE TOOK OVER PRIVATE PHARMACIES, SOME OF WHICH ARE OWNED BY AMERICAN FIRMS (EG WARNER LAMBERT) -- THE ISSUE OF COMPENSATION WOULD BE IMMEDIATELY RAISED WITH ATTENDANT EFFECTS ON INVESTMENT CLIMATE. COUNSELOR ALSO POINTED OUT THAT MERE ANNOUNCEMENT OF STATE CONTROL OF PHARMACIES MEANT THE LATTER WOULD PROBABLY NOT BE INTERESTED IN PAYING DEBTS OWED TO LOCAL US PHARMACEUTICAL FIRMS. CLOSE LISTENED TO FOREGOING BUT HAD OBVIOUSLY NOT FOCUSED ON THESE KINDS OF ISSUES.

4. IT WAS IN LIGHT OF FOREGOING DISCUSSION THAT WE ASKED US FIRMS TO DRAW UP LIST OF QUESTIONS/PROBLEMS WHICH COULD BE SUBMITTED TO CLOSE AND NGWETI. IN OUR OPINION, ONLY BY MAKING GOZ AWARE OF PROBLEMS -- AS WELL AS POSSIBLE SOLUTIONS -- WILL THIS MESS STAND ANY CHANCE OF BEING STRAIGHTENED OUT.

5. US FIRMS WERE UNANIMOUS IN SUGGESTING THAT EMBASSY REPRESENT THEM IN TRANSMITTING QUESTIONS TO CLOSE. THEY RECALLED STRONG AND SUCCESSFUL INTERVENTION BY EMBASSY DURING NOV '73 ZAIRAINIZATION MEASURES. WE POINTED OUT THAT TWO SITUATIONS WERE QUITE DIFFERENT AND THAT GOZ MIGHT NOT ACCEPT US AS INTERMEDIARY -- EVEN FOR TRANSMITTAL OF QUESTIONS. WE TOLD US FIRMS WE WOULD THINK ABOUT EMBASSY ROLE AND LET THEM KNOW OUR DECISION MAY 28, WHEN THEY BROUGHT IN THEIR LIST OF QUESTIONS.

6. OUR PREFERRED TACTIC THIS REGARD IS TO AGREE TO TAKE LISTS OF INDIVIDUAL FIRM'S QUESTIONS TO CLOSE, BUT TO RESTRICT OUR COMMENTS TO GENERAL ISSUES SUCH AS THOSE ALREADY RAISED BY ECON COUNSELOR PER PARA 3 ABOVE. INDIVIDUAL COMPANY PROBLEMS ARE PROPER SUBJECT FOR DISCUSSION BETWEEN GOZ AND COMPANY AND REQUIRE NO EMBASSY INPUT. IF DEPT AGREES WITH FOREGOING, WE WOULD APPRECIATE, BY MAY 28 IF POSSIBLE, SUGGESTED POINTS OF GENERAL NATURE WHICH WE SHOULD MAKE. WE CAN COMPILE OUR OWN

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POINTS CONCERNING, FOR EXAMPLE, POTENTIAL COMPENSATION, EFFECTS ON INVESTMENT CLIMATE, THE GENERAL ISSUE OF CONFIDENCE BETWEEN GOZ AND US FIRMS -- BUT WE WOULD APPRECIATE DEPT'S THOUGHTS IN THIS ENDEAVOR.  
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